

VZCZCXYZ0012
PP RUEHWEB

DE RUEHCV #0587 1201446
ZNR UUUUU ZZH
P 291446Z APR 08
FM AMEMBASSY CARACAS
TO RUEHC/SECSTATE WASHDC PRIORITY 1034
INFO RUEHBO/AMEMBASSY BOGOTA 7773
RUEHLP/AMEMBASSY LA PAZ APR LIMA 1018
RUEHQT/AMEMBASSY QUITO 2833
RHEHNSC/NSC WASHDC
RUMIAAA/HQ USSOUTHCOM MIAMI FL
RUCPDO/DEPT OF COMMERCE
RUEATRS/DEPT OF TREASURY

UNCLAS CARACAS 000587

SIPDIS

SENSITIVE
SIPDIS

HQ SOUTHCOM ALSO FOR POLAD
TREASURY FOR MMALLOY
NSC FOR JSHRIER
COMMERCE FOR 4431/MAC/WH/MCAMERON

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [VE](#)
SUBJECT: BRV SELLS USD 4 BILLION IN SOVEREIGN BONDS

REF: CARACAS 558

11. (U) The Ministry of Finance (MoF) published on April 28 the results of the Sovereign International Bond (SIB) issuance announced April 21 (reftel). Per these results, the MoF will sell SIBs worth a total amount (face value) of USD 4 billion. The announcement does not specify the amount allocated to "productive companies" (companies in the food, health, and capital goods sectors (or at least importers in those sectors) that are registered with the BRV's foreign exchange control authority) as opposed to individual investors and other legal entities (including other companies). The maximum allocated to a given "productive company" was USD 30 million; the maximum allocated to a given individual investor was USD 500,000; and the maximum allocated to a given legal entity was USD 2.5 million. Offers from banks and other companies in the financial sector were not considered. The announcement notes that the SIBs will "not be subject to the non-compliance clause that stipulates that the Republic must maintain its membership in the IMF."

12. (SBU) Comment: The fact that the size of this issuance is USD 1 billion greater than the MoF announced on April 21 indicates continued strong local demand for dollars at a price in between the official and parallel exchange rates. Indeed, the MoF said that it received orders for over 9 billion USD worth of the bonds. It will be difficult for the BRV to issue additional large quantities of external debt this year as international enthusiasm for BRV debt is low (making the price on secondary markets, and thus the implicit exchange rate, less attractive). Given the BRV's dedication to supplying the parallel market with dollars in an effort to control the parallel rate, it will be interesting to see what dollar-denominated instruments the BRV uses in the future. End comment.
DUDDY